Causes and effects of the great depression essay

[Environment](), [Disaster]()

Introduction

The great depression was full blown and felt by the American people in 1929. Nevertheless, the indications were clear from as early as 1923 when financial institutions started closing the doors. This paper outlines the causes, effects and the tactics used that resulted to the recovery of the shattered economy of the United States under the watch of Franklin D. Roosevelt.

The great depression cannot be attributed to have been caused by an individual factor, but a combination of unaddressed outstanding factors. From a keen observation of American history, in 1920, there was a large disparity between the haves and the have not, i. e. to be precise about 5% of the population sitting on 33% of the country’s wealth, 1% controlling 40% of the economy while over 60% lived below the poverty margin though it became a reality after the collapse of the stock market in 1929. The majority poor therefore depended on the luxurious spending of the rich few who dictated the economy. A slight shake of the rich few would therefore spell doom to the whole economy. On the other hand, it is during this same period American Government was owed by many European countries what they had borrowed during World War 1, countries which were now either unable to repay back their loans or unwilling to do so. On top of failure to refund the borrowed funds, the American people could not trade with these countries since their purchasing power was very low and therefore no money getting into the American economy which was already crippling (Watkins, 1995).

Stock Brokers on the other hand took advantage of the poor policies governing the market and through speculative trading, the stock market collapsed in October 1929. This created fear among investor and the Americans, and as a result there was a great exodus of monies from the bank for fear of collapsing and in 1933, over 11, 000 banks have closed their doors since they had become insolvent. This situation worsened by the fact that banks were left without money to offer credit facilities making it even harder to salvage the depressed economy.

When the economy went down, then people feared to spend as they embarked on protecting what they had saved. There was no circulation of the currency and the rate of unemployment rose increasing overdependence on the little resources available (Watkins, 1995).

F. Roosevelt was elected president in 1936 with a pact of promises to avert the great depression. This included development of a clear policy outlining the regulations of trading and banking. That is the creation of a commission for security exchange (S. E. C) and an insurance securing banks deposits (F. D. I. C). Also in this pact titled the ‘ New Deal’ was in the short term where majorly the young unemployed were incorporated into the development of infrastructure e. g. roads for national development, Administration and Recovery. The above FDR’s systems pushed the government to extend its role even beyond Roosevelt’s rule to the full recovery of the economy. Rural – urban migration was also witnessed as people moved in numbers due to the draught that persisted for 6 years. I. e. 1930 – 1936 and the land was untillable. Majority of civilians became wary even after the depression for fear of a recurrence (Kennedy, 1999).

In conclusion, defying all the challenges, President F. Roosevelt delivered during his tenure by designing systems and an attitude of restoring confidence among the American people.

Works Cited

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